



HF 645 – Renewable Energy Tax Credits, Refuse Conversion Facility (LSB1971HV)
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Fiscal Note Version – As passed by the House

Description

House File 645 as passed by the House expands the current tax credit program available under **Iowa Code section 476C.3** for the production of heat for a commercial purpose. Under current law, the tax credit is limited to no more than 167.0 billion British Thermal Units (BTU) of heat for all tax credit applicants, and no more than 55.0 billion BTU for any single applicant. This Bill makes the 167.0 and 55.0 BTU limits annual as opposed to lifetime.

The change is effective on enactment and applies retroactively to applications for the tax credit received on or after January 1, 2014.

Assumptions

- The tax credit calculates to \$4,500 per billion BTU.
- Under current law, three facilities have claimed credits for a total of 165.0 billion BTU.
- Current law allows an approved credit applicant to receive tax credits for up to 10 years. However, the lifetime limit cap for commercial heat means that facilities reach the lifetime cap in the first year.
- Under changes included in this Bill, the three facilities will be eligible for 55.0 billion BTU per year for an additional nine years. In addition, other facilities will be able to access tax credits once the three current facilities have received tax credits for 10 years.
- The tax credits are not refundable. Credit redemption timing is based on the redemption pattern of similar nonrefundable tax credits:
 - First Year = 38.0% of credits awarded
 - Second Year = 51.8%
 - Third Year = 10.2%
- Due to an enactment date assumed to be late in FY 2015, credit redemption timing for the 2014 award year credits is assumed to be:
 - First Year = 19.0% of credits awarded
 - Second Year = 70.8%
 - Third Year = 10.2%

Fiscal Impact

The change to the existing commercial heat tax credit is projected to decrease net State General Fund revenue by the amounts in the following table. The fiscal impact continues beyond FY 2021.

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Tax Credit Redemptions	
In Millions	
Fiscal Year	Estimated General Fund Revenue Reduction
FY 2015	\$ 0.1
FY 2016	0.6
FY 2017	0.7
FY 2018	0.8
FY 2019	0.8
FY 2020	0.8
FY 2021	0.8

Source

Department of Revenue

/s/ Holly M. Lyons

April 23, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
